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08-GHG-OII-1

DOCKET

09-IEP-1P

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DYNEGY

June 30, 2009

California Energy Commission
Dockets Office, MS-4
Docket Number 09-IEP-1P and 08-GHG-OII-1
1516 Ninth Street
Sacramento, California 95814-5512

RE: Joint IEPR /Siting Committee Workshop on Greenhouse Gas Emission Impacts of Power Plants, Docket Numbers 09-IEP-1P and 08-GHG-OII-1

Dear Sir or Madam:

Thank you for the opportunity to comment on the June 23, 2009, workshop that the California Energy Commission (CEC) held on the MRW report, Framework for Evaluating Greenhouse Gas Implications of Natural Gas-Fired Power Plants in California

The MRW report provides a good overview of the types of challenges that California will face in the coming years in implementing the State's greenhouse gas goals while moving toward a 33% renewables portfolio standard (RPS). In addition, it identifies public policy issues that will impact the makeup of the current thermal fleet and have an effect on GHG emissions and grid reliability. The MRW report provides a good starting point for discussions on the future roles natural gas generation will play in California. We encourage the CEC to continue those public discussions with the Independent System Operator (ISO), the California Public Utilities Commission (CPUC) and the Air Resources Board (ARB).

However, Dynegy does not agree with some of the comments expressed at the workshop that suggest that the CEC should develop a needs assessment for each natural gas facility that applies for an Application For Certification. This type of review is unnecessary to ensure that the State meets its GHG and RPS goals. Other state agencies are already tasked with the implementation of these policies. The CEC should defer to the implementation efforts of those agencies rather than create another burdensome process that further increases the time to site and build new generation in this state.

For example, the ISO's new nodal MRTU markets, once those markets reflect all operational complaints, should produce prices that best signal where new generation should be built. The MRTU price signals will be supplemented by the CAISO's regular local capacity requirement analyses conducted as part of the CPUC's Resource Adequacy program. The CEC's load forecasts already are taken into consideration in the final determination of what resources are procured of the RA program. Another review or roadmap is not needed.

Finally, a needs assessment is incompatible with the current California hybrid market structure. Prescribing the type of generation and where that generation is built will limit competition and innovation in the type and prices of bids received in utility RFOs. This position was echoed at the workshop by several utility representatives. Because of this, the State should refrain from prescribing the type of technology it wants and instead should describe what it needs and see how industry can fill that need. Commissioner Byron's question at the workshop aptly framed the issue: state agencies should be focused on implementing an effective and equitable cap-and-trade program, not in micro-managing how individual companies comply with that program.

In closing, all parties recognize that natural gas-fired generation will continue to fill critical roles, such as providing local capacity service, integrating increasing levels of renewable generation, and meeting California's electric energy needs. While Dynegy appreciates the CEC's efforts to develop a framework in which to consider the GHG implementations of natural gas-fired generation, Dynegy urges the CEC to work with the CAISO to evaluate the overall needs of the power system, and allow the market to innovate and compete to meet those needs, rather than focusing on the need for individual generation facilities.

Thank you for your consideration of Dynegy's comments. If you have any questions about our comments, please feel free to contact me at (916) 441-6242.

Sincerely,

A handwritten signature in black ink, reading "Audra Hartmann". The signature is fluid and cursive, with the first name "Audra" and last name "Hartmann" clearly distinguishable.

Audra Hartmann
Director, Government and Regulatory Affairs